

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF PACHULSKI, STANG, ZIEHL,
YOUNG & JONES P.C. FOR THE SEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Fee Application of Pachulski, Stang, Ziehl, Young & Jones P.C. for the Seventh Interim Period.

BACKGROUND

1. Pachulski, Stang, Ziehl, Young & Jones P.C. ("Pachulski") was retained as local counsel to the debtors. In the Application, Pachulski seeks approval of fees totaling \$61,726.00 and costs totaling \$69,686.84 for its services from October 1, 2002, through December 31, 2002.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States

Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on Pachulski an initial report based on our review and received a response from Pachulski, portions of which response are quoted herein.

DISCUSSION

General Issues

3. In our initial report, we noted that for this interim period Pachulski billed 44.10 hours and \$13,635.50 for preparing its own fee applications. This represents 22% of the total fees requested for the period. Typically, as many as nine professionals were involved in the fee preparation process, with an average hourly rate of \$309.19. The primary preparer bills at \$375.00 per hour, and there are numerous, albeit small, bits of time billed at \$395.00, \$495.00 and \$550.00 per hour. We are cognizant of Pachulski's responsibility for reviewing many other firms' applications, and the time spent doing so appears to be reasonably and efficiently allocated among lower-billing firm professionals. We asked Pachulski to advise us as to the necessity of higher-billing professionals bearing the primary responsibility for preparing Pachulski's own fee applications, and of any other reasons that Pachulski's fee application preparation took so much time. Pachulski's response is provided as Response Exhibit 1. We appreciate Pachulski's response and the voluntary reduction of \$144.00. Based on Pachulski's voluntary reduction, we recommend a reduction of \$144.00 in fees.

Specific Time and Expense Entries

4. Throughout the Application period there are numerous entries titled only "Maintain Document Control", which may describe tasks that are not compensable by the estate. See Exhibit A. The total time allocated to this heading was 89.5 hours for \$4,095.50. Paragraph, II. E. 7. of the Guidelines states, "[f]actors relevant to a determination that the expense is proper include the

following: . . Whether the expenses appear to be in the nature of nonreimbursable overhead . . . Overhead includes word processing, proofreading, secretarial...” We asked Pachulski to explain why these entries should be regarded as compensable. Pachulski responded as follows:

Maintaining Document Control: The Fee Auditor has questioned time entries for maintaining docket control. PSZYJ&W maintains an internal docket of all pleadings filed in these cases in an effort to ensure that should any party, client or the Court need access to any document at any time, PSZY&J can provide the document requested. This is particularly important in light of the fact that the Bankruptcy Court Clerk’s office no longer maintains any paper files and all files are available only through the electronic docket, which is not at all times accessible. Creditors, co-counsel, and other parties in the case often request that PSZYJW provide copies of documents and pleadings, which requests are handled as part of this function. In addition, PSZYJW, as Debtors’ Delaware counsel, is responsible for preparing the hearing agenda and binders for the Court. The time billed for Maintaining Document Control reflects the time spent to prepare hearing binders, respond to inquiries and maintain the internal docket and related files for the case. Accordingly, PSZYJW believes all time billed is appropriate.


We appreciate the response and have no objection to these fees.

CONCLUSION

5. Thus, we recommend approval of fees totaling \$61,582.00 (\$61,726.00 minus \$144.00) and costs totaling \$69,686.84 for Pachulski’s services from October 1, 2002, through December 31, 2002.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 17th day of April 2003.


Warren H. Smith

SERVICE LIST

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EXHIBIT A

10/01/02	CMS	Maintain Document Control.	6.20	40.00	\$248.00
10/10/02	DCC	Maintain Document Control.	3.00	55.00	\$165.00
10/11/02	ARP	Maintain Document Control.	1.00	40.00	\$ 40.00
10/14/02	HDM	Maintain Document Control.	2.10	60.00	\$126.00
10/14/02	ARP	Maintain Document Control	5.00	40.00	\$200.00
10/16/02	DCC	Maintain Document Control	2.00	55.00	\$110.00
10/17/02	ARP	Maintain Document Control	2.50	40.00	\$100.00
10/21/02	AXC	Maintain Document Control	2.70	40.00	\$108.00
10/23/02	RMO	Maintain Document Control	0.50	55.00	\$ 27.50
10/23/02	DCC	Maintain Document Control	2.00	55.00	\$110.00
10/30/02	HDM	Maintain Document Control	2.10	60.00	\$126.00
10/30/02	CMS	Maintain Document Control	1.10	40.00	\$ 44.00
10/30/02	DCC	Maintain Document Control	1.00	55.00	\$ 55.00
11/01/02	DCC	Maintain Document Control	2.00	55.00	\$110.00
11/06/02	ARP	Maintain Document Control	3.00	40.00	\$120.00
11/06/02	RMO	Maintain Document Control	0.50	55.00	\$ 27.50
11/06/02	AXC	Maintain Document Control	3.00	40.00	\$120.00
11/08/02	DCC	Maintain Document Control	2.00	55.00	\$110.00
11/08/02	RMO	Maintain Document Control	0.50	55.00	\$ 27.50
11/10/02	DCC	Maintain Document Control	1.00	55.00	\$ 55.00
11/12/02	CMS	Maintain Document Control	1.30	40.00	\$ 52.00
11/12/02	RMO	Maintain Document Control	0.50	55.00	\$ 27.50
11/14/02	ARP	Maintain Document Control	4.50	40.00	\$180.00
11/15/02	ARP	Maintain Document Control	2.00	40.00	\$ 80.00
11/16/02	DCC	Maintain Document Control	4.00	55.00	\$220.00
11/19/02	HDM	Maintain Document Control	1.60	60.00	\$ 96.00
11/19/02	RMO	Maintain Document Control	0.50	55.00	\$ 27.50
11/20/02	ARP	Maintain Document Control	4.00	40.00	\$160.00
11/20/02	CMS	Maintain Document Control	2.10	40.00	\$ 84.00
11/21/02	ARP	Maintain Document Control	4.50	40.00	\$180.00
11/26/02	ARP	Maintain Document Control	3.50	40.00	\$140.00
12/01/02	DCC	Maintain Document Control	3.00	55.00	\$165.00
12/09/02	ARP	Maintain Document Control	4.00	40.00	\$160.00
12/12/02	ARP	Maintain Document Control	3.00	40.00	\$120.00
12/19/02	HDM	Maintain Document Control	1.80	60.00	\$108.00
12/26/02	CAK	Maintain Document Control	0.10	120.00	\$ 12.00
12/30/02	ARP	Maintain Document Control	5.00	40.00	\$200.00
12/31/02	HDM	Maintain Document Control	0.90	60.00	\$ 54.00

Response Exhibit 1

Preparation of PSZYJW Fee Applications: The fee auditor has questioned the number of preparers/reviewers and billing rates of the same for the PSZYJW fee applications. PSZYJW has established a standard fee application process used for all bankruptcy engagements which it believes to be the most efficient and effective way of preparing the multitude of fee applications necessitated by the bankruptcy compensation process. At the appropriate time each month, the fee application process begins with the review of the fee detail by one of the attorneys primarily involved in the engagement. The attorney selected is typically a senior attorney who is familiar with all aspects of the engagement and is aware of the type of work being performed by every member of the engagement team. In the case of W.R. Grace, Scotta McFarland (SEM, \$395.00) has been assigned the task of reviewing the fee applications. PSZYJW's primary fee application preparer is William Ramseyer (WLR, \$375.00). Ninety percent of Mr. Ramseyer's time is spent preparing fee applications for the firm. He has prepared several hundred fee applications and is an experienced bankruptcy attorney. As a result, Mr. Ramseyer is far more efficient and, in the end, costs the estate much less than if a junior attorney were preparing and reviewing the fee applications. Because of Mr. Ramseyer's many years of experience, he is able to review the detail and appropriately categorize and refine the descriptions without constant consultation with the respective attorneys on the engagement. After Mr. Ramseyer has completed the preparation of the fee application, the engagement partner and/or the partner responsible for the firm's billing reviews the fee application for global issues. Laura Davis Jones (LDJ, \$550.00) and Ira Kharasch (IDK, \$495.00) performed the final review in this instance. This amount of time incurred by these senior attorneys (usually .20 to .30) is insignificant with respect to the overall bill, yet vitally important to the fee application process.

With respect to the fee applications for W.R. Grace, more time is spent on preparation due to the unique time categories established by the Court. Because a number of these categories are significantly different from the standard PSZYJW fee categories, the attorneys preparing and reviewing the fee applications spend more time scrutinizing the categorization of the various time entries. Additionally, the review time is higher for the W.R. Grace fee applications due to the fact that there is a fee auditor. The attorneys spend more time reviewing and correcting the fee detail descriptions and categorization to ensure the fee auditor's requirements, including specificity of the task descriptions, are addressed. Accordingly, PSZYJW believes that all time, with the exception of the time noted below, is appropriately billed.

In preparing the reply to this point, PSZYJW noted an incorrect charge for IDK on 10/31/02 in the amount of \$144.00. The fees sought will be voluntarily reduced by \$144.00.